

IRS OFFERS TO SETTLE EMPLOYERS' TARGETED JOBS TAX CREDIT CLAIMS

WASHINGTON -- The Internal Revenue Service announced Monday an offer to employers to settle long-standing refund claims involving Targeted Jobs Tax Credits (TJTC).

The settlement offer covers certain businesses claiming the TJTC for employees hired before 1995, despite the businesses being unable to obtain the state certification required for the credit. The IRS is offering affected employers 50 percent of the credit claimed.

"We believe this settlement offer fairly resolves this matter for both the taxpayers and the government," said IRS Commissioner Charles O. Rossotti. "It will get refunds to these taxpayers quickly, without additional resource expenditures for the taxpayers or for the IRS."

Until employers finalize their claims, the IRS will not have an estimate of the overall amounts involved in the settlement. But it may involve fewer than 100 employers nationwide.

The TJTC expired at the end of 1994. Later, Congress enacted a similar tax benefit, the Work Opportunity Credit, in 1996. Both credits are based on the wages paid to new hires who are certified as belonging to a qualified group needing employment assistance. Targeted groups include certain veterans, ex-convicts and low-income persons.

A central issue involving TJTC is whether a business could claim the credit for new hires when the business requested but did not receive certifications of the employees' status from a state employment agency. In some cases, state agencies discontinued the certification process after federal funding for the program expired in 1994, leaving employers unable to get certifications for large numbers of employees.

The application details are in Announcement 2000-58, which will be published in Internal Revenue Bulletin 2000-30, dated July 24, 2000. Affected employers should notify the IRS of their interest in the settlement program within 120 days of publication in the Internal Revenue Bulletin. Announcement 2000-58 will also be available through the IRS Web site, www.irs.gov.

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